

# News Release



*Controller of the State of California - Kathleen Connell*

**300 Capitol Mall, Suite 1850  
Sacramento, California 95814**

**Contact: Byron Tucker -- (310) 342-5678**

**FOR IMMEDIATE RELEASE**

## ***GRAYING OF BABY BOOMERS TO SLOW CALIFORNIA'S ECONOMIC "GOLDEN AGE"***

*State Controller's Study Shows Tax Revenues May Not Be Sufficient To Meet  
Education Demands of Next Wave of Schoolchildren*

LOS ANGELES, February 11, 1998 -- State Controller Kathleen Connell today released a study by her office that projects a negative impact on state revenues when California's Baby Boomers hit retirement age, beginning in about eight years. The findings raise serious implications for financing public education needs in future years as the next wave of students will arrive in classrooms at the same time the Baby Boomers are retiring, and therefore reducing tax revenues.

"The good news is that the Baby Boomers, now and in the short-term, are creating a 'Golden Age' for income tax revenues in California," said Connell. "However, when the best educated, highest income group in history reaches retirement age, this revenue bonanza for the State of California will end. The income of the retired boomers will come from non-taxable or low-tax sources, such as savings, investments and pensions. As income tax revenues sag, California will need to identify another revenue source to meet the soaring demand for public education."

Connell was referring to her findings that show California's highest average income taxes are paid by persons aged 45-54; the second highest-paying group is 35-to-44. "By 2000, the entire Baby Boom generation will be in the two age groups that pay the highest income taxes, swelling tax coffers." Connell also noted that education levels correlate with income taxes paid, with college graduates paying significantly higher average taxes than those with less education. "Since the best educated of the Baby Boom generation is the first half, the impact of their retirement on tax revenues will be felt in about eight years," Connell explained.

-more-

Connell's study also showed that the generation trailing the Boomers is not only smaller, it also is less educated. Therefore, when this group ages into the peak earning years, its contribution to income tax revenues will not be as great. "We have to find a way to increase high school graduation rates and college attendance for today's generation of young people. It not only means a great deal to their own earning potential, it will be critical to maintaining California's fiscal health," said Connell.

As described in the Controller's study, births in California began to rise about 1980. The state also experienced high levels of immigration during the 1980s. The resulting expansion in the school-age population is already being felt in the K-12 education system. The next impact will be on California's higher education institutions. As this generation of young people moves into child-bearing years, it is expected the number of births will climb again.

"California may be a paradigm for the country," Connell said. "In the next two decades, we can expect to see new pressures placed on schools, as well as other public services. In the short term, we are likely to have the revenues to address these impacts. The challenge for state policy makers is to begin planning for the time when the revenues may not be there, perhaps even restructuring our tax system to accommodate the changed demographics."

The study on California's Baby Boomers and the implications for tax revenues and education was released as part of the "*Controller's Quarterly*." Speaking before an audience at the University of Southern California, Controller Connell was joined by other economists and demographers in assessing the impact of California's changing demographic profile. In addition to the Baby Boomers, currently aged 34-51, the presentation also addressed the impacts of the "echo boomers," the children of the Baby Boomers who will spur another cycle of growth among young adults. This age group is expected to grow by roughly 1.5 million in the next decade, which makes the challenge of adequately funding California's education system even more imperative.

"The echo boomers are the next generation of workers. Educating them to the highest possible level is critical to ensuring their future productivity in the work force. This in turn will help to prolong the Golden Age for future generations of Californians," Connell concluded.

# # #

*Call Byron Tucker at 310/342-5678 for full report.*